

# **THE NATIONAL AFFORDABLE HOUSING SUMMIT**

**Australian Council of Social Service  
Community Housing Federation of Australia  
National Shelter**

**Australian Council of Trade Unions  
Housing Industry Association**

## **Round Tables on a National Affordable Housing Agreement**

### **Background Paper 1**

# **Scope and Processes**

**July 2008**

**ACTIVITIES OF THE SUMMIT GROUP ARE SPONSORED PRINCIPALLY BY  
MEMBERS EQUITY BANK    MECU LIMITED    BROTHERHOOD OF ST LAURENCE  
AUSTRALIAN GOVERNMENT    HOUSING INDUSTRY ASSOCIATION**

**Other Key Sponsors Include**

**Community Housing Federation    Mission Australia    National Shelter  
South Australian Government    Victorian Government**

**Note: This Background Paper has been prepared on the basis of the very limited information which is publicly available on the proposed scope of the new National Affordable Housing Agreement and on the processes by which it will be negotiated. It will be progressively updated as further information is made available, including by government participants in the Round Tables.**

## **Introduction**

The Council of Australian Governments (COAG) has decided that most Commonwealth grants to the States will be made through five major Specific Purpose Payments (SPPs), one of which is for affordable housing. There will also be some National Partnership Payments (NPP) for more specific purposes, some of which will relate to particular housing programs.

COAG has decided that the SPP and NPP arrangements for affordable housing will be based on a National Affordable Housing Agreement to take effect from 1 January 2009. It will replace the current Commonwealth-State Housing Agreement (CSHA) which was due to expire at the end of June this year but has been extended to the end of the year.

## **Negotiation Process and Timetable**

It appears that the new National Affordable Housing Agreement (NAHA) will be negotiated under the auspices of COAG in accordance with the following timetable of COAG meetings during the remainder of 2008:

- |           |   |
|-----------|---|
| October:  | consider new Statements of Objectives, Outcomes, Outputs and Performance Measures and firm up reform proposals; |
| December: | finalise overall funding package and the overall Agreement.   |

The COAG Housing Working Group will be responsible for developing key proposals for consideration at the October meeting. The Commonwealth and State Treasuries will be responsible for recommending the funding package to the December meeting.

The Housing Working Group is chaired by the Commonwealth Minister for Housing, Tanya Plibersek. The Commonwealth and each State/Territory are represented by the respective departments of the Heads of Government (Prime Minister, Premiers and Chief Ministers), Treasurers and Housing Ministers. The Australian Local Government Association is also represented.

The Housing Minister's Conference is also likely to play a role in developing proposals for consideration by COAG. It includes the Commonwealth, State and Territory Housing Ministers (with ALGA as an observer).

## **General Principles and Scope**

In July 2007, the State and Territory Housing Ministers issued a joint communiqué calling for a new National Housing Agreement to "encompass all areas of government policy which impact on the housing system and will require effective collaboration between all levels of government to achieve improved housing outcomes." They proposed the following six key directions for action (the full communiqué is in the appendix to this background paper)

- "secure the viability of the social housing sector, now and into the future";
- "increase the supply of social housing";
- "improve housing affordability for private renters";
- "improve access to affordable home ownership";
- "increase the supply and distribution of affordable housing through new development and redevelopment projects";
- "increase housing opportunities for indigenous people for home ownership".

In August 2007, the then ALP Federal Opposition agreed with all State/Territory governments that the new Agreement should "embrace five principles" as follows:

- "the high importance of home ownership to Australians and the importance of improving people's access to a home of their own";

- "the importance of stimulating the supply of affordable private rental housing in the private rental sector, particularly for the young, key workers, and those on low incomes";
- "the need to provide adequate emergency and social housing for those on very low incomes or in crisis";
- "the role of planning, development and regulation in helping to reduce the final cost and increase supply of affordable housing"; and
- "overarching economic policies to keep downward pressure on interest rates as the foundation stone on which affordable housing strategies must be built".

In March 2008, the new Commonwealth Minister for Housing, Tanya Plibersek, said:

"The National Affordable Housing Agreement is the key to delivering a coordinated set of solutions to the housing affordability problem. This agreement will be the overarching framework for Australia's affordable housing strategies. It will bundle together the existing Government homelessness and housing subsidies and assistance."

"It will replace the CSHA and be the vehicle to deliver better housing outcomes for people, whether currently homeless or trying to find an affordable rental home or a home to buy. It will represent the partnerships between this Government and all parts of the housing and homelessness sectors."

In May 2008, Prime Minister Rudd said: that the new Agreement will bring together "all housing assistance programs including Commonwealth Rent Assistance, the First Home Owners Grant and homelessness programs to create more affordable housing for those who need it".

### **Programs under the Agreement**

It appears that the NAHA will include the areas covered by the following programs but the names and scope of them may change considerably and some could be merged into other programs:

- Base Funding for public and community housing under the CSHA
- Community Housing Program (CHP)
- Crisis Accommodation Program (CAP)
- Aboriginal Rental Housing Program (ARHP)
- National Rental Affordability Scheme (NRAS)
- Commonwealth Rent Assistance (CRA)
- First Home Owner Grant (FHOG)

It appears that the following programs may also be included:

- the current program of housing and infrastructure for Indigenous people in remote areas;
- the promised program of extra housing for homeless people ("A Place to Call Home").

Despite the agreement and statements quoted above, it is not clear whether the NAHA will also include matters relating to key housing assistance programs such as

- the new Housing Affordability Fund (HAF);
- the new First Home Saver Accounts;
- tax concessions relating to capital gains tax, land tax, stamp duty, GST etc.

It is also not clear to what extent the Agreement will cover matters relating to provision of services (eg under the Supported Accommodation Assistance Program) and questions of planning, government land sales, transport and other infrastructure.

## APPENDIX

# Communique by State and Territory Housing Ministers (July 2007)

## A NEW NATIONAL HOUSING AGREEMENT

A National Housing Agreement is required to address the serious and entrenched problems of housing affordability in Australia. It should encompass all areas of government policy which impact on the housing system and will require effective collaboration between all levels of government to achieve improved housing outcomes. National leadership on this issue requires the creation of the position of Minister for Housing in the Commonwealth Cabinet. This paper provides a summary of the six major issues and trends in the Australian housing system and proposes responses to them.

### ➤ **Secure the Viability of the Social Housing Sector, Now and into the Future**

The social housing system relies on rents for much of its income. Because social housing is increasingly targeted at low income households with complex needs, revenue from rent is restricted whilst the cost of supporting high need tenants is increasing. Targeting also has implications for asset management and the profile of demand for housing assistance. With restricted funding, States and Territories have spent the majority of their revenue on re-aligning dwelling types to match the profile of demand and on modernising and upgrading ageing stock portfolios, rather than on growth. A National Housing Agreement should secure the viability of the social housing system, prevent a further decline in stock numbers, and provide sustained investment for upgrading and replacing social housing. This is needed to equip social housing to meet modern housing needs, and to reduce levels of stock concentration. The new Agreement should:

- *ensure an income stream sufficient for social housing to cover a benchmarked operating cost, recognizing that costs are likely to increase in real terms as social housing increasingly focuses on those in greatest need*
- *include a jointly-funded upgrading and stock replacement program, with long-term targets.*

### ➤ **Increase the Supply of Social Housing**

The need for social housing is growing as the population grows and the number of disadvantaged households and people living alone increases. Increasing numbers of people in the private rental market are experiencing housing affordability problems. A National Housing Agreement should re-introduce growth in the supply of government-subsidised (public and community) rental housing. Growth in supply responds to the rising demands on the social housing system resulting from the need to house people with complex needs; and from population and household growth. It also builds capacity to offer affordable housing to low to moderate income private renters exposed to rapidly increasing rent levels and unable to afford home purchase. The new Agreement should include:

- *a jointly-funded program for the growth in supply of social housing, with long-term targets*
- *agreed levels of public funding and privately-sourced investment for this program, to maximize the outcomes from government investment*
- *support for the development of the not-for-profit housing sector as a major vehicle for the delivery of this growth program.*

### ➤ **Improve Housing Affordability for Private Renters**

Low cost housing in the private rental market is becoming less available. 35% of people receiving Commonwealth Rent Assistance pay over 30 per cent of their income in rent. 33% of people receiving Commonwealth Rent Assistance do not need it. Additional private sector investment could be attracted into affordable housing supply, if certain incentives are introduced. The majority of low to moderate income renters are housed in the private rented sector. The new Agreement should include:

- *improved targeting of Commonwealth Rent Assistance to make this form of assistance more effective*
- *use of Commonwealth Rent Assistance to encourage increases in the supply of affordable rental housing*

- *financial and tax incentives to invest in affordable rental housing (private and social)*

➤ **Improve Access to Affordable Home Ownership**

House prices have moved beyond the reach of large numbers of households. Home ownership rates in Australia have been declining, particularly amongst younger age groups. Recent home buyers are experiencing difficulties in relation to housing costs. There are good arguments to better target the First Home Owners Grant to support low income households. House prices have risen to such a level that access to home ownership is beyond the reach of many moderate income households. Action is needed through home purchase financing arrangements which reduce the costs of purchase. The new Agreement should include:

- *a nationally-coordinated shared equity scheme, targeted at low to moderate-income households seeking to access home purchase*
- *improved targeting of the FHOG to low to moderate income households needing assistance to access home ownership, and to support the use of shared equity.*

➤ **Increase the Supply and Distribution of Affordable Housing through new Development and Redevelopment Projects**

Significant economic impacts arise from the increasing polarisation of housing markets in major cities, with low to moderate income working households increasingly concentrated in areas with poor amenity. The development of economically and socially sustainable communities is underpinned by the supply and distribution of affordable housing. Planning systems need to be able to facilitate a range of outcomes including the provision of affordable housing. There is a need for

- *State and Territory planning instruments that support affordable housing and the inclusion by States and Territories of affordable housing targets (for market and social housing) in all significant development schemes.*
- *improved efficiency in the planning system such as progressive reform of development assessment practices and the forward planning system.*

➤ **Increase Housing Opportunities for Indigenous people**

Indigenous social housing need is projected to increase across urban, regional and remote areas from around 16,000 dwellings in 2001 to over 27,000 in 2009. Investment in existing stock is needed to ensure that people are adequately housed, that maintenance backlogs and support needs are addressed, and that the organisational capacity and viability of housing providers is secured. Indigenous individual home ownership rates are much lower than those for non-Indigenous people. Many Indigenous people have indicated the importance of home ownership in overcoming disadvantage. A new National Housing Agreement needs to address the housing needs and aspirations of Indigenous households. It should include:

- *provisions to secure the viability of the Indigenous-specific social housing sector, including adequate funding to meet repairs and maintenance backlogs and provide support for Indigenous tenants.*
- *growth in the supply of affordable rental housing for Indigenous households recognising the scale of housing need across remote, regional and urban locations and the different responses required in each sector.*
- *recognition in funding of mainstream social housing programs of Indigenous housing need.*
- *recognition of the legitimate aspirations of Indigenous households for sustainable, wealth-creating homeownership by designing mainstream and Indigenous specific homeownership programs, with particular emphasis on financial literacy.*

**Flexibility for Individual States and Territories**

A National Housing Agreement will provide a comprehensive framework for coordinated response to the range of housing issues confronting Australia. It must be recognised, however, that circumstances vary across the country, and that individual States and Territories may have different priorities. Accordingly it is proposed that each State and Territory enter into a bi-lateral agreement with the Australian Government to focus on specific priorities and funding arrangements that best meet State/Territory needs and build on current initiatives, within the framework provided by a multi-lateral National Housing Agreement.